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Opening Statement
Chairman Mike Oxley
Committee on Financial Services

**Subcommittee on Capital Markets, Insurance and Government Sponsored
Enterprises
The Terrorism Risk Insurance Act of 2002
April 28, 2004**

First let me thank Chairwoman and Kelly and Chairman Baker for holding today's hearing. They worked closely with Capital Markets subcommittee ranking member Paul Kanjorski and other Committee leaders to develop a terrorism insurance bill over two years ago that was signed into law by the President. It is because of their hard work that we are able to discuss this morning the great success of the Terrorism Risk Insurance Act.

The tragic terrorist attack on America on September 11, 2001 resulted in thousands of deaths, massive destruction and the start of our war against terrorism that continues to this day. No one knew what would become of the U.S. economy in the immediate aftermath of 9/11. Stock markets were shut down for days and experienced a broad sell-off when they reopened. Many Americans were unable to work because their businesses had been shut down and numerous construction projects were brought to a halt.

Insurers and reinsurers paid out record claims, but were no longer able to cover acts of terrorism in the future because no one knew when or where the next attack might come. As a result, Americans whose jobs depended on the availability of insurance coverage faced work stoppages and unemployment, and our economy faced a severe crunch.

President Bush immediately realized the significance of this problem and called on Congress to pass legislation that would prevent severe economic disruptions. This Committee worked closely with the President and the Senate to draft a strong bipartisan bill that is pro-consumer, pro-taxpayer, and pro-business. That legislation, the Terrorism Risk Insurance Act of 2002, or "TRIA", provides a temporary Federal backstop for Americans to protect against future catastrophic terrorist attacks.

By almost any measure, TRIA has been an unqualified success. Every American business that has wanted to purchase insurance against terrorism has been able to do so. Real estate projects across the U.S. that could have been delayed or cancelled because of their terrorism exposure have proceeded. The Department of the Treasury, which is charged with administering the Terrorism Risk Insurance Program, has developed a framework by which claims could be processed and paid should another attack occur on American soil.

The Treasury Department has done a great service to the nation by quickly establishing a terrorism reinsurance program that covers the entire United States. Treasury officials worked with the National Association of Insurance Commissioner and industry to provide

consumers with mandatory availability of terrorism coverage and with significant disclosures to improve their competitive options. Although the GAO has found that Treasury still has some work to do towards full implementation of TRIA, there is every indication that the Department has made great progress in a short amount of time, and we should be proud of their efforts.

In addition to ensuring the availability of terrorism insurance, TRIA was designed to provide a transitional period during which the insurance industry could diversify their exposure and develop resources that would enable them to offer this insurance without a Federal backstop.

The Treasury Department is collecting information on TRIA and on the evolution of the terrorism insurance market as TRIA sunsets. I look forward to its analysis when it is completed. I also hope that we can follow through on GAO's recommendation that we continue working to find alternative means of terrorism coverage, to draft a better long-term solution to improving the availability of catastrophe insurance.

Finally, let me just mention that I support the extension through next year of the "make available" provision to TRIA that requires all insurers selling commercial lines of property and casualty insurance to make terrorism coverage available as well. Seventeen of my colleagues joined me in signing a letter to Secretary Snow last week urging extension, and I hope that we can work together to ensure full availability of coverage.

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